

Message Text

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ORIGIN EUR-12

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DRAFTED BY EUR/SOV:MKOVNER:MB

APPROVED BY EUR:JAARMITAGE

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R 262219Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW

C O N F I D E N T I A L STATE 068773

E.O. 11652: GDS

TAGS:ESTC, ETRD, PFOR, US, UR, SW

SUBJECT: SALE OF US AIR TRAFFIC CONTROL SYSTEM TO USSR

REFS: (A) STATE 050088; (B) MOSCOW 3819

1. ON MARCH 25, SOVIET TRADE REP MKRTUMOV AT HIS INITIATIVE CALLED ON DEPUTY ASSISTANT SECRETARY ARMITAGE TO REPORT WHAT HE HAD LEARNED FROM MOSCOW ON ATC CASE FOLLOWING EARLIER ARMITAGE-MKRTUMOV DISCUSSION OF SUBJECT (REF A). MKRTUMOV REPORTED THAT SOVIETS DO INTEND TO PLACE ORDER FOR ATC SYSTEM WITH WEST EUROPEAN FIRM. THIS WAS NOT, HE EMPHASIZED, A REFLECTION OF ANY CHANGE IN SOVIET TRADE POLICY BUT RATHER A DECISION BASED ON THE SUBSTANTIAL DIFFERENCE OF PRICE BETWEEN US AND EUROPEAN COMPETITORS FOR ESSENTIALLY COMPARABLE EQUIPMENT. HE ADDED, HOWEVER, THAT DECISION ALSO INFLUENCED BY SOVIET CONFIDENCE THAT THERE WOULD BE NO PROBLEM WITH EXPORT LICENSES IN DEALING WITH EUROPEAN SUPPLIER. IN LATTER
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REGARD, MKRTUMOV NOTED THAT ELECTRONORGTEKHNIKA HAS BEEN

NEGOTIATING ON DIFFERENT DEAL WITH CDC FOR COMPUTER FOR
METEOROLOGICAL USE FOR MORE THAN ONE YEAR AND ALTHOUGH FTO
PREPARED TO SIGN CONTRACT FOR \$14-15 MILLION ORDER WITHIN
TWO-FOUR WEEKS, CDC CAN GIVE SOVIETS NO ASSURANCES WHEN OR
IF EXPORT LICENSE WILL BE ISSUED.

2. ARMITAGE SAID THAT HE WAS DISTRESSED TO HEAR NEWS
THAT SOVIETS INTEND TO PROCURE ATC SYSTEM FROM NON-US
SOURCE GIVEN MONEY AND EFFORT EXPENDED IN LENGTHY SPERRY-
SOVIET NEGOTIATIONS AND CONVICTION THAT US SYSTEM WAS
TECHNICALLY SUPERIOR TO THAT OF COMPETITORS. BEARING IN
MIND MORE OPTIMISTIC ASSESSMENT OF SPERRY'S CHANCES BY
COMPANY REP IN MOSCOW AS REPORTED REF B, ARMITAGE ASKED
MKRTUMOV HOW RECENT WAS HIS INFORMATION. MKRTUMOV SAID
THAT HIS INFORMATION WAS TEN DAYS OLD BUT THAT HE HAD
RECEIVED IT FROM "HIGH" AND AUTHORITATIVE OFFICIALS IN
MOSCOW.

3. COMMENT: MKRTUMOV REFERENCE TO CDC NEGOTIATIONS
PUZZLING. IN PRESENTATION TO DEPARTMENT OF COMMERCE ON
FEBRUARY 11, CDC LISTED AS SALES PROSPECTS A LARGE
SYSTEM FOR HYDRO-RESEARCH AND ANOTHER TO BE USED JOINTLY
BY MINISTRIES OF GEOLOGY AND PETROLEUM. NEITHER OF
THESE AT CONTRACT STAGE AND NO ADVISORY OPINION SOUGHT
BY CDC. KISSINGER

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